

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0502-01  
Bill No.: SB 164  
Subject: DSS; Minimum Staffing Requirements for Skilled Nursing Facilities.  
Type: Original  
Date: January 25, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
General Revenue	(\$10,100,198)	(\$12,472,476)	(\$13,397,502)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$10,100,198)</b>	<b>(\$12,472,476)</b>	<b>(\$13,397,502)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
Federal	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Revenue and expenditures of over \$31 million annually net to \$0.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Social Services - Division of Aging (DA)** stated the DA Institutional Services (DAIS) is responsible for surveying skilled nursing facilities (SNFs) participating in the Medicare/Medicaid programs; conducting state licensure inspections in SNFs participating in the Medicare/Medicaid programs and those that do not participate in the federally sponsored programs; and investigating allegations of abuse, neglect, exploitation or violations of regulations in SNFs.

The DAIS believes the establishment of staffing ratios for SNFs will not significantly increase the amount of time spent by field survey staff in conducting inspections, surveys and/or complaint investigations.

The DAIS stated that dependent on each of the SNFs' ability to meet the new staffing minimums (i.e., as a result of labor shortages, lack of trained and/or licensed professionals, ability to compete with salaries paid by acute care settings), DAIS may see an increase in the number of deficiencies cited related to staffing levels and qualifications. However, any fiscal impact on DAIS is indeterminable, as facility compliance with this new staffing requirement is outside the direct control of DAIS and will be dependent upon the actions of the entities operating the SNFs.

**Oversight** assumes the SNF owned by governmental units will pass on the costs of additional staff required as a result of this proposal and therefore, will not reflect a fiscal cost to the local governmental funds.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** stated that based on discussions with the DA and review of the industry's data submitted to the DMS, the staffing levels set forth in the proposed legislation is higher than what is currently being done at nursing facilities, which will result in nursing facilities hiring additional staff.

The DMS state that currently, nursing facility reimbursements are based on 1992 cost reports trended forward. Thus, new costs incurred after 1992 would not typically be part of the reimbursement calculation until rebasing. The DMS assumes that the costs of the staffing requirements will be treated in the same manner as other legislative initiatives such as the increase in the federal minimum wage where costs were recognized in the year the wage increase occurred.

The DMS stated that approximately 75% of the industry does not meet the proposed RN/LPN staffing levels and 30% of the industry does not meet the proposed direct care provider staffing levels (RN, LPN, and Aides). This is based on discussions with the DA and a review of the

ASSUMPTION (continued)

industry's data submitted the DMS. The director of nursing and other RNs were included in the current staffing levels when determining the additional staffing needs for RN/LPN coverage and direct care provider coverage.

Officials from the Department of Social Services stated the staffing patterns of nursing facilities have not changed since the original calculation determining the additional FTE required by nursing facilities was prepared for similar legislation proposed in FY 2000. This calculation is too cumbersome for including in the fiscal note. However, the DMS will incur additional medical assistance payments with a projected cost for FY 02 of \$25,937,848 (10 months); \$32,723,359 for FY 03; and \$34,405,502 for FY 04. A federal match rate of 61.06% is used for each year.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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**GENERAL REVENUE FUND**

Costs - Division of Medical Services

Increased Medical Assistance Payments	(\$10,100,198)	(\$12,472,476)	(\$13,397,502)
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**ESTIMATED NET EFFECT ON**

<b>GENERAL REVENUE FUND</b>	<b><u>(\$10,100,198)</u></b>	<b><u>(\$12,472,476)</u></b>	<b><u>(\$13,397,502)</u></b>
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**FEDERAL FUNDS**

Income - Division of Medical Services

Medicaid Reimbursements	\$15,837,650	\$19,980,883	\$21,008,000
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Costs - Division of Medical Services

Increased Medical Assistance Payments	(\$15,837,650)	(\$19,980,883)	(\$21,008,000)
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**ESTIMATED NET EFFECT ON**

<b>FEDERAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Local Government

FY 2002 (10 Mo.)	FY 2003	FY 2004
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<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

Small businesses operating as skilled nursing facilities may be fiscally impacted by this proposal if they do not meet these minimum staffing requirements. However, the nursing facilities should be allowed greater reimbursements from the Department of Social Services. The net effect to the nursing facilities cannot be reasonably estimated.

#### DESCRIPTION

The proposed legislation establishes minimum staffing requirements in skilled nursing facilities, licensed under Chapter 198, RSMo.

A new Section 198.166 is created and requires every skilled nursing facility (SNF) to retain a registered nurse (RN) as Director of Nursing. SNFs with more than 100 licensed beds must also retain a RN as an Assistant Director of Nursing and must have a director of In-Service Education. All SNFs must maintain the following ratio of staff to residents, including RNs and

Licensed Practical Nurses (LPN):

- 1 staff person to 15 residents during the morning shift;
- 1 staff person to 25 residents during the evening shift;
- 1 staff person to 35 residents during the night shift.

Every SNF must also maintain the following staff to resident ratio of direct care providers, including RNs and LPNs :

- 1 staff person to 5 residents during the morning shift;
- 1 staff person to 10 residents during the evening shift;
- 1 staff person to 15 residents during the night shift.

Members of the nursing staff may not provide food, housekeeping, laundry, or maintenance services to residents. Employees hired to provide such services may not provide nursing care and may not be counted in the staff to resident ratios. The Division of Aging is allowed to develop rules to impose penalties on facilities that fail to meet the staffing requirements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Social Services



Jeanne Jarrett, CPA  
Director  
January 25, 2001